

EXHIBIT A

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

IN RE: CITY OF DETROIT, . Docket No. 13-53846
MICHIGAN, .
 . Detroit, Michigan
 . January 16, 2014
Debtor. . 2:00 p.m.

BENCH OPINION
BEFORE THE HONORABLE STEVEN W. RHODES
UNITED STATES BANKRUPTCY COURT JUDGE

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1 whether the disclosure by the emergency manager allowed the
2 city to take advantage of its statutory opportunity to
3 propose an alternative. Here the Court concludes that the
4 disclosures that the city made to City Council, especially as
5 they pertained to the proposed interest rates, were
6 sufficient to permit it to evaluate the loan and for the City
7 Council to go out into the marketplace to attempt to obtain
8 an alternative. Accordingly, the Court concludes that there
9 was substantial compliance with PA 436, and this objection is
10 overruled.

11 It is next asserted that the city has not adequately
12 explained the uses of the loan proceeds. In the Court's
13 view, this objection overlaps with the question of the
14 conditions that the Court has determined must be placed on
15 the loan. The problem arises because the record is
16 contradictory on what the proceeds of this loan would be used
17 for. In recognition of the limitations on the use of gaming
18 revenues under state law, some evidence suggests that the
19 city will use the proceeds for, quote, "quality of life,"
20 close quote, purposes. Other evidence, however, suggests
21 that the proceeds will simply be working capital. The city
22 contends that even if gaming revenue is provided as security,
23 the limitations of the Gaming Act do not apply because
24 Section 364 authorizes this Court to approve the loan without
25 regard for any state law limitations. The Court rejects this

1 view of its authority under Section 364 and concludes that
2 any offer of security for a loan under Section 364 must
3 comply with state law unless, of course, Section 364
4 expressly provides otherwise. As the city points out, the
5 Court can, under Section 364, give a senior or priming lien
6 to existing liens which might be or would be in derogation of
7 state law; however, nothing in Section 364 suggests that a
8 Court can allow a municipality to use its property in
9 violation of state law. The Court does conclude that
10 offering gaming revenue as security for a loan would comply
11 with the Gaming Control Act but only if the proceeds of the
12 loan that are so secured are used as limited by state law.
13 Accordingly, if this loan is secured by gaming revenues, the
14 proceeds must be used for the purposes identified in the
15 Gaming Act. The Court must caution the city here, however.
16 While the Act does permit the use of gaming revenues to
17 improve quality of life in the city, that authorization
18 cannot be applied so broadly that it effectively eliminates
19 the statutorily imposed limitations. Specifically, nothing
20 in the Act authorizes proceeds to be used for working
21 capital. To enforce this state statutory limitation, the
22 Court will condition this approval on a process by which the
23 city gives 14 days' written and filed notice of its intent to
24 use the proceeds during which interested parties can object
25 on the grounds that the proposed use is not consistent with

1 the Gaming Act. The Court would then schedule a prompt
2 hearing and promptly resolve the objection. Consistent with
3 Section 904, however, the Court will not review any aspect of
4 the use of the proceeds other than its compliance with the
5 Gaming Act.

6 In the alternative, of course, subject to Barclays'
7 approval, the city could use as security other property for
8 this loan such as other revenue streams that carry with them
9 no such restrictions under state law. In that event, the
10 Court -- excuse me. In that event, the process that the
11 Court outlined would not be necessary and would not be
12 imposed.

13 The Court further cautions the city that if it does
14 decide to pursue only the quality of life loan at this time,
15 it may want to consider whether under state law it is
16 necessary to present the revised loan to the City Council
17 under PA 436 and to the Emergency Loan Board for its
18 approval. This caution, however, is not intended to be a
19 ruling on this issue.

20 Finally, the Court will overrule the objection that
21 this loan should be approved only in the context of plan
22 confirmation. The city has determined out of necessity to
23 pursue this loan now. Section 364 of the Bankruptcy Code
24 certainly permits the city to do that. Under Section 904 it
25 is not for this Court to review the city's political and